

## OIL AND GAS LEASE SALE APPROVAL

The Department of Natural Resources and Conservation held an oil and gas lease sale on June 5, 2007, in the Auditorium at the Department of Transportation building. A total of 39 tracts were offered for lease. Thirty nine tracts were leased for a total of \$358,646.70. The 39 tracts that were sold covered a total of 22,001.89 acres. The average bid per acre was \$16.30.

The high competitive bid for the June 5th lease sale was \$140.00 per acre for Tract 22 in Phillips County.

The Director requests Land Board approval to issue the leases from the June 5, 2007 sale.

The following described lands were offered for oil and gas leasing through oral competitive bidding in the Department of Transportation auditorium, 2701 Prospect Avenue, Helena, Montana, 9:00 am, June 5, 2007

Tract	Stip	Tw	Rge	Sec	Description	Acres	Bid \$/Acr	Total Price	Lessee
<b>Blaine</b>									
1	1, 2, 3, 4, 5, 6	28.N	22.E	6	Lots 1, 2, 3, 4, S2N2, S2	638.72	\$6.00	\$3,832.32	RETAMCO OPERATING, INC.
2	1, 2, 3, 4, 5, 6	28.N	22.E	7	All	640.00	\$6.00	\$3,840.00	RETAMCO OPERATING, INC.
3	2, 3, 4, 5, 6, 10	28.N	22.E	16	Lots 1, 2, 3, 4, W2, W2E2	639.04	\$16.25	\$10,384.40	LONEWOLF ENERGY, INC.
4	2, 3, 4, 5, 6, 10	29.N	22.E	16	Lots 1 thru 8, E2W2, E2	725.68	\$16.25	\$11,792.30	LONEWOLF ENERGY, INC.
5	2, 3, 4, 5, 6, 10	29.N	22.E	36	All	640.00	\$20.25	\$12,960.00	LONEWOLF ENERGY, INC.
6	2, 3, 4, 5, 6, 10	29.N	23.E	16	All	640.00	\$17.25	\$11,040.00	LONEWOLF ENERGY, INC.
7	2, 3, 4, 5, 6, 10	29.N	24.E	16	All	640.00	\$25.25	\$16,160.00	LONEWOLF ENERGY, INC.
8	2, 3, 4, 5, 6, 10	29.N	24.E	36	All	640.00	\$25.25	\$16,160.00	LONEWOLF ENERGY, INC.
9	2, 3, 4, 5, 6, 10	29.N	25.E	16	All	640.00	\$20.00	\$12,800.00	RETAMCO OPERATING, INC.
10	2, 3, 4, 5, 6, 10	29.N	25.E	36	All	640.00	\$16.00	\$10,240.00	RETAMCO OPERATING, INC.
11	1, 2, 3, 4, 5, 6	36.N	20.E	36	All	640.00	\$60.00	\$38,400.00	RETAMCO OPERATING, INC.
<b>Golden Valley</b>									
12	1, 2, 3, 4, 5, 6	9.N	19.E	16	All	* 640.00	\$1.50	\$960.00	CHARLES M. HAUPTMAN
13	1, 2, 3, 4, 5, 6	10.N	19.E	36	All	640.00	\$1.50	\$960.00	CHARLES M. HAUPTMAN
<b>Judith Basin</b>									
14	1, 2, 3, 4, 5, 6	13.N	15.E	8	All	640.00	\$1.50	\$960.00	A. R. EVANS & ASSOCIATES
15	1, 2, 3, 4, 5, 6	13.N	15.E	16	All	640.00	\$1.50	\$960.00	A. R. EVANS & ASSOCIATES
16	1, 2, 3, 4, 5, 6	14.N	15.E	16	E2	* 320.00	\$1.50	\$480.00	A. R. EVANS & ASSOCIATES
17	1, 2, 3, 4, 5, 6	14.N	15.E	22	E2	320.00	\$1.50	\$480.00	A. R. EVANS & ASSOCIATES
18	1, 2, 3, 4, 5, 6	14.N	15.E	26	W2	320.00	\$2.00	\$640.00	HEMUS, LTD.
19	1, 2, 3, 4, 5, 6	14.N	15.E	29	S2SE4	80.00	\$2.00	\$160.00	HEMUS, LTD.
20	1, 2, 3, 4, 5, 6	14.N	15.E	32	SE4NW4, NE4, NW4SE4	240.00	\$2.00	\$480.00	HEMUS, LTD.
<b>Phillips</b>									
21	2, 3, 4, 5, 6, 10	29.N	26.E	16	All	640.00	\$13.25	\$8,480.00	PTARMIGAN LANDS LP
22	1, 2, 3, 4, 5, 6	31.N	33.E	36	All	640.00	\$140.00	\$89,600.00	RETAMCO OPERATING, INC.
23	1, 2, 3, 4, 5, 6, 9	33.N	34.E	15	SW4NE4, W2SE4, SE4SE4	160.00	\$30.00	\$4,800.00	RETAMCO OPERATING, INC.
24	1, 2, 3, 4, 5, 6, 7	33.N	34.E	16	All	640.00	\$30.00	\$19,200.00	RETAMCO OPERATING, INC.
25	1, 2, 3, 4, 5, 6	36.N	32.E	16	All	640.00	\$110.00	\$70,400.00	RETAMCO OPERATING, INC.
<b>Powder River</b>									
26	2, 3, 4, 5, 6, 10	6.S	48.E	16	All	640.00	\$1.50	\$960.00	CARIBOU LAND AND LIVESTOCK MONTANA LLC

Tract	Stip	Twp	Rge	Sec	Description	Acres	Bid \$/Acr	Total Price	Lessee
27	2, 3, 4, 5, 6, 10	6.S	48.E	36	All	640.00	\$1.50	\$960.00	CARIBOU LAND AND LIVESTOCK MONTANA LLC
<b>Rosebud</b>									
28	1, 2, 3, 4, 5, 6, 7	6.S	41.E	16	All	640.00	\$1.50	\$960.00	CARIBOU LAND AND LIVESTOCK MONTANA LLC
29	1, 2, 3, 4, 5, 6, 7	6.S	41.E	36	Lots 1, 2, 3, 4, W2, W2E2	638.45	\$1.50	\$957.68	CARIBOU LAND AND LIVESTOCK MONTANA LLC
30	1, 2, 3, 4, 5, 6, 7	7.S	41.E	16	All	640.00	\$1.50	\$960.00	CARIBOU LAND AND LIVESTOCK MONTANA LLC
<b>Wheatland</b>									
31	1, 2, 3, 4, 5, 6	10.N	18.E	36	All	640.00	\$1.50	\$960.00	CHARLES M. HAUPTMAN
<b>Yellowstone</b>									
32	1, 2, 3, 4, 5, 6	3.N	23.E	36	All	640.00	\$1.50	\$960.00	DARYL E. BEEMAN
33	1, 2, 3, 4, 5, 6, 8	3.N	24.E	16	All	640.00	\$1.50	\$960.00	DARYL E. BEEMAN
34	1, 2, 3, 4, 5, 6, 8	3.N	24.E	36	All	640.00	\$1.50	\$960.00	DARYL E. BEEMAN
35	1, 2, 3, 4, 5, 6	4.N	24.E	10	E2, SW4	480.00	\$1.50	\$720.00	DARYL E. BEEMAN
36	1, 2, 3, 4, 5, 6, 8	4.N	24.E	14	SW4	160.00	\$1.50	\$240.00	DARYL E. BEEMAN
37	1, 2, 3, 4, 5, 6	4.N	24.E	16	All	* 640.00	\$1.50	\$960.00	DARYL E. BEEMAN
38	1, 2, 3, 4, 5, 6	4.N	24.E	36	All	* 640.00	\$1.50	\$960.00	DARYL E. BEEMAN
39	1, 2, 3, 4, 5, 6	4.N	25.E	16	All	640.00	\$1.50	\$960.00	FORWARD ENERGY LLC

### *Summary by Lessor*

*Dept of Natural Resources & Conservation*

22001.89

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\* Part of all of tract is not state-owned surface

#### **Oil and Gas Lease Sale Summary**

<b>Lease Sale Totals</b>	<b>Tracts</b>	39
	<b>Acres</b>	22,001.89
	<b>Total Bid Revenue</b>	\$358,646.70
	<b>Avg Bid Per Acre</b>	\$16.30

## Stipulations

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- 1 Lessee shall notify and obtain approval from the Department's Trust Land Management Division (TLMD) prior to constructing well pads, roads, power lines, and related facilities that may require surface disturbance on the tract. Lessee shall comply with any mitigation measures stipulated in TLMD's approval.
- 2 Prior to the drilling of any well, lessee shall send one copy of the well prognosis, including Form 22 "Application for Permit" to the Department's Trust Land Management Division (TLMD). After a well is drilled and completed, lessee shall send one copy of all logs run, Form 4A "Completion Report", and geologic report to TLMD. A copy of Form 2 "Sundry Notice and Report of Wells" or other appropriate Board of Oil and Gas Conservation form shall be sent to TLMD whenever any subsequent change in well status or operator is intended or has occurred. Lessee shall also notify and obtain approval from the TLMD prior to plugging a well on the lease premises.  
  
Issuance of this lease in no way commits the Land Board to approval of coal bed methane production on this lease. Any coal bed methane extraction wells would require subsequent review and approval by the board.
- 3 The TLMD will complete an initial review for cultural resources and, where applicable, paleontological resources of the area intended for disturbance and may require a resources inventory. Based on the results of the inventory, the TLMD may restrict surface activity for the purpose of protecting significant resources located on the lease premises.
- 4 The lessee shall be responsible for controlling any noxious weeds introduced by lessee's activity on State-owned land and shall prevent or eradicate the spread of those noxious weeds onto land adjoining the lease premises.
- 5 The definitions of "oil" and "gas" provided in 82-1-111, MCA, do not apply to this lease for royalty calculation purposes.
- 6 If the State does not own the surface, the lessee must contact the owner of the surface in writing at least 30 days prior to any surface activity. A copy of the correspondence shall be sent to TLMD.
- 7 Due to unstable soil conditions on this tract and/or topography that is rough and/or steep, surface use may be restricted or denied. Seismic activity may be restricted to poltershots.
- 8 The lessee is responsible to pay for all damages, including penalties and charges assessed by the USDA-CFSA on CRP lands, as a result of drilling and production on the tract.
- 9 Due to the floodplain/wetlands area(s), surface use may be restricted or denied.
- 10 This lease includes areas that may be environmentally sensitive. Therefore, if the lessee intends to conduct any activities on the lease premises, the lessee shall submit to TLMD one copy of an Operating Plan or Amendment to an existing Operating Plan, describing in detail the proposed activities. No activities shall occur on the tract until the Operating Plan or Amendments have been approved in writing by the Director of the Department. TLMD shall review the Operating Plan or Amendment and notify the lessee if the Plan or Amendment is approved or disapproved.

After an opportunity for an informal hearing with the lessee, surface activity may be denied or restricted on all or portions of any tract if the Director determines in writing that the proposed surface activity will be detrimental to trust resources and therefore not in the best interests of the trust.

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